THE MONTANA PICK-SLOAN INITIATIVE

A WATER MANAGEMENT AGENDA FOR TOMORROW

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Presented to the Fifty-Second Montana Legislature by Governor Stan Stephens

Prepared by the
Montana Pick-Sloan Advisory Committee
in consultation with the
Montana Department of Natural Resources and Conservation
Water Resources Division

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INTRODUCTION

The State of Montana faces a diversity of challenging issues and decisions concerning the management of its water resources. Perhaps the most urgent is that many of the state's water projects are old and in need of repair. Water delivery systems for irrigation and rural and urban users are in desperate need of improvement so water can be used more efficiently. At the same time, new projects are needed to replace outdated facilities and to expand the state's reservoir and distribution systems. Much of this demand is driven by recent droughts and increased competition for water among diverse interests. Irrigators and hydropower producers draw on the same limited resource for which the demand by other industries, recreationists, fisheries advocates, Indian tribes, and municipalities continues to rise.

The call for water development and improved management comes at a time when money is scarce. The costs of rehabilitating the state-owned dams alone would be too heavy a burden for Montanans to bear. The U.S. Congress has grown more and more reluctant to support water development in the West, a trend likely to continue.

Faced with this predicament, Montana looks to the Pick-Sloan Missouri Basin Program for help. The Pick-Sloan Plan provides the blueprint for water development in the Missouri River Basin. It is the authority by which large main-stem and tributary dams have been built, levees and a nine-foot navigation channel constructed, hydroelectric turbines and transmission lines installed, and irrigation projects undertaken. Unfortunately, Montana has not recieved the benefits promised from the Pick-Sloan Plan. The economic impact of the Pick-Sloan Plan has been documented by Dr. Andre Corbeau, a Professor of Economics at Eastern Montana College, in a report that was presented to the Montana Legislature in December, 1990.

In 1989, the Montana Legislature passed a joint resolution urging Congress to authorize Pick-Sloan assistance for water management and development efforts in Montana. The Montana Pick-Sloan Initiative is an outgrowth of the joint resolution. Its purpose is two-fold:

1. To seek the benefits promised to Montana under the Pick-Sloan Plan.

2. To pursue strategies for solving the state's water management problems that are consistent with the plan's original aim of maximizing the multiple-use benefits of the Missouri River and its tributaries.

This report outlines the initiative and describes four general ways to pursue assistance under the Pick-Sloan Plan.

HISTORY OF DEVELOPMENT UNDER THE PICK-SLOAN PLAN

Congress initiated the Pick-Sloan Plan when it passed the Flood Control Act of 1944. Years of drought in the 1930's were followed by a series of floods in the Missouri basin, and the region needed federal aid. The Pick Plan, developed by the U.S. Army Corps of Engineers (Corps) and introduced to Congress in 1943, focused on flood control and improvement of the navigation channel in the lower Missouri. The Sloan Plan, introduced by the U.S. Bureau of Reclamation (BuRec) in 1944, emphasized irrigation development and land reclamation. Both plans also included proposals to install hydropower plants at some of the dams.

Congress combined the two plans and the Pick-Sloan Plan became the most comprehensive effort of its kind, embracing all of the major water uses within an entire basin. The goal of the plan was to *"secure the maximum benefits for flood control, irrigation, navigation, power, domestic and sanitary purposes,*

wildlife, and recreation." Table 1 lists the goals set for each tributary basin and reach of the mainstem Missouri.

Originally, the plan called for 95 new dams with 41 million acre-feet of reservoir storage, 5 million acres of new irrigated land, and 17 hydroelectric plants. In addition, a navigation channel would be dredged in the Missouri from the confluence with the Mississippi to Sioux City, Iowa to allow the transport of an anticipated 20 millions tons of river freight.

Some of these objectives have been met or exceeded, while progress on others has stalled. In the 45 years since enactment of the Pick-Sloan Plan, flood control efforts and hydropower production have yielded the greatest benefits. The Corps of Engineers estimates that the mainstem dams and levees have prevented $2.7 billion in flood damages, primarily in the lower basin, since the system began operating in 1954.

Hydropower production was seen as a secondary purpose in the original plan, with a proposed capacity of only 758 megawatts (MW). Annual power production projected at 3.8 million kilowatt-hours (kWh) was valued at $17.4 million per year. Hydropower demand has pushed development far beyond these expectations, and today the system has a maximum capacity of 3,116 MW. In 1986, Pick-Sloan projects produced a total of 11.2 billion kWh of electricity worth $160 million. Clearly both generation and revenues have vastly exceeded the originally planned output, providing additional repayment resources as well as a basis for regional economic development. The result of power investment to date is an increasingly efficient power plant which allowed average power

Table 1
Major Promises of the Pick-Sloan Plan
by Subregion

River Basin	Reservoirs	Reservoir Capacity (for flood control, silt control, hydro, irrigation) (acre-feet)	New Irrigated Land (acres)	Supplemental Irrigation (acres)	Other Features
Upper Missouri	19	3,359,950	460,900	208,700	
Yellowstone	27	4,285,200	509,560	204,500	
Missouri - Fort Peck to Sioux City	5	26,850,000	2,292,900	0	
Niobrara, Platte, and Kansas	22	5,615,400	1,284,000	21,804	
Minor Western Tributaries	15	1,237,000	212,980	11,300	
Lower Missouri	7	Not stated	Not stated	Not stated	Levies & appurtenant works
TOTALS	95	41,347,550	4,759,440	446,304	

rates to fall dramatically from those foreseen at the time of original development to today- a boon to the federal treasury and a boost for important regional business activity. Unfortunately, this abundance of hydroelectricity has not been followed by an equitable distribution of the relatively cheap power. Nearly all of the power is produced in Montana, North Dakota, South Dakota, and Wyoming, but two-thirds of the power is consumed in Minnesota, Colorado, Iowa, and Nebraska. ***Montana produces roughly 22 percent of the hydropower in the basin, but consumes only 6.5 percent.***

One other benefit was seriously underestimated by the framers of the Pick-Sloan Plan. Recreational use was considered an incidental benefit, but it may be the most significant benefit derived from the plan in some areas of the upper basin. In 1986, recreational use at the mainstem reservoirs alone amounted to 11.2 million visitor days. Such use is expected to increase throughout the upper basin.

Two of the major purposes of the plan--navigation and irrigation--have developed quite differently. Utilizing annual and often non-reimbursable funds, the Corps has developed and maintains a navigation channel below Sioux Falls; however, river hauling never reached the goal of 20 million tons annually. For a variety of reasons, commercial tonnage reached a peak of 3.3 million tons annually, but has declined to 2.3 million tons per year today, with primary cargoes of farm products, chemicals, sand, gravel, and crushed rock.

In contrast, the federal government has appropriated only small amounts of funding to accomplish the irrigation goals of the Pick-Sloan

Table 2
Distribution of Benefits and Costs of Pick-Sloan Plan

State	Acres lost to Reservoirs (ac)	Irrigation Promised (ac)	Irrigation Developed (ac)	P-S Hydro Consumed (%)	Navigation Benefits	Flood Benefits
Big Winners:						
Nebraska	15,162	1,009,375	164,100	15.2	Yes	Yes
Winners:						
Colorado	0	102,999	0	18.1	No	No
Iowa	0	0	0	15.6	NA	Yes
Kansas	0	193,490	32,500	0	Yes	Yes
Minnesota	0	0	0	18.9	No	No
Missouri	0	0	0	0	Yes	Yes
Losers:						
Wyoming	0	158,100	88,200	0.8	No	No
Big Losers:						
North Dakota	584,060	1,266,400	9,000	10.7	No	No
Montana	590,000	1,313,930	76,200	6.5	No	Yes
South Dakota	520,390	972,510	24,100	14.1	No	No
Multistate Projects			107,500			
TOTAL	1,709,709	5,307,704	501,600	100	NA	$2.3 billion

Plan. As of 1987, only 10 percent of promised acreage had been irrigated in the 10 state area (see Table 2). Wyoming, Kansas, and Nebraska were relatively successful in developing Pick-Sloan irrigated agriculture. Wyoming has developed 56 percent of its promise, Kansas 17 percent, and Nebraska 16 percent.

Of four states targeted for 1 million or more acres of new and supplemental irrigation, Nebraska has developed the most at 16 percent. South Dakota developed 2.5 percent of its allotment, while North Dakota has irrigated less than 1 percent of its originally authorized 1.2 million acres. ***Montana was slated for 1.3 million acres, the most for any one state, but to date only 6% of these lands have been developed for irrigation.*** The upper basin states lost a total of 1.7 million acres of land to Pick-Sloan reservoirs, and were compensated with only 109,300 acres of irrigation development.

Just as minimal development of irrigated acreage has occurred under the plan, hydropower capacity originally allocated for pumping irrigation water through its "first-lift" has not been developed. First-lift pumping power refers to the power needed to pump water from the river to the primary ditches, canals, and pipelines that distribute water to the irrigated lands. As of 1958, over 450 MW of capacity were reserved for the ultimate development of project irrigation (Personal Communication, BuRec, Billings, 11/30/90); however, after the Garrison Diversion Unit Reformulation Act of 1986, this allocation was reduced to 398 MW (WAPA, Customer Brochure, January 1990). Of the 104 MW allocated for Montana irrigation, only about 14 MW was developed as of 1983 (BuRec, 11/30/90). The other 90 MW are used elsewhere.

YESTERYEAR'S LOSSES BECOME TODAY'S NEEDS

In summary, the wealth of benefits produced by the Pick-Sloan Plan have not been fairly distributed among the 10 states of the Missouri basin. The lower basin states benefit greatly from the flood control and hydropower production provided by dams clustered in the upper basin states. The lower basin also received a larger share of irrigation development, and the priority given to downstream navigation has unfairly hampered reservoir operations for other uses in the upper basin.

The Montana Pick-Sloan Initiative is aimed at correcting this imbalance between the lower and upper basin. With congressional authorization, additional benefits can be derived from the Pick-Sloan Plan for water management and development in Montana.

Other upper basin states are also pursuing assistance under the Pick-Sloan Plan, nowhere more energetically than in South Dakota. A resolution passed by the South Dakota legislature in 1988 seeks *"some measure of contemporary economic benefit to the people of South Dakota to offset losses"* incurred during development of the Pick-Sloan reservoir system. All of the upper basin states lost productive bottom land, its attendant tax base and development potential, and significant natural river eco-systems when the reservoirs filled. The need to obtain the compensation promised forms the backbone of both the South Dakota and Montana initiatives.

The Montana Pick-Sloan Initiative addresses the state's contemporary water management problems, recognizing that many of the most pressing problems were not specifically identified in the original Pick-Sloan Plan. But resolving these problems is consistent with the plan's multiple-use philosophy.

Today Montana faces a variety of water resource issues which can be organized into six different categories:

(1) Rehabilitating Montana's water management infrastructure;

(2) Improving the management of Montana's waters;
(3) Developing new water projects;
(4) Providing low-cost power to irrigation projects;
(5) Resolving Indian reserved water rights;
(6) Developing and improving recreational, fish, and wildlife resources.

1. Rehabilitating Montana's Water Management Infrastructure

Many of Montana's dams, irrigation ditches, canals, and drinking water supply systems are old and deteriorating. In the Milk River basin, for example, sedimentation and periodic drought have reduced the storage capacity of basin reservoirs, and the aging system of irrigation canals and ditches cannot carry enough water to meet current needs. As a result, irrigators in the basin face significant water shortages in 4 years out of every 10.

The cost to rehabilitate the basin's irrigation system and supplement the existing water supply is estimated at nearly $200 million. However, most irrigators in the basin earn a low net income per acre and have a limited ability to help repay the cost of any improvements. Unless the water supply system is rehabilitated, the depressed local economy is unlikely to recover.

The original Pick-Sloan Plan did not specifically refer to rehabilitating water supply infrastructures, but such activities clearly fall within the plan's goal of maximizing benefits from all types of water projects. Obtaining Pick-Sloan assistance for rehabilitating Montana's water management infrastructure is an appropriate means to provide the state with the benefits promised under the Pick-Sloan Plan.

2. Improving the Management of Montana's Waters

To ensure the long-term, beneficial use of Montana's water resources, the state needs to improve its ability to wisely manage water and related land resources. This ability includes a variety of activities, such as the development and implementation of a state water plan, adjudication and administration of water rights, and the development of policies and programs for managing the water resources of the state. Once again, the state does not have the financial and technical resources required to address all these issues.

3. Developing New Water Projects

Demand is increasing in Montana for new water development, particularly new storage projects, new urban and rural drinking supply systems, and new recreational facilities. For example, a number of small communities near Billings need water supply systems to satisfy their expanding population and associated industrial uses. Competition among various water users is keen, more so during low-flow years, and new projects can help increase water supplies.

In partial response to this demand, a section on water storage was incorporated in the Montana State Water Plan in 1990. A broad-based committee drafted the state's policy on storage development, which is to pursue storage when it is *"determined to be the water management tool that best solves the problem and promotes and enhances the general welfare of the people of Montana."* Although most of the projects contemplated in the State Water Plan are relatively small, their purpose falls within the scope of the Pick-Sloan Plan.

One major focus of the water storage section was to explore alternative ways of fi-

nancing storage and other projects. The state should seek assistance under the program for high-priority projects.

4. Providing Low-cost Power to Existing Irrigation Projects

Montana irrigators and rural domestic users pay relatively high rates for electricity. The rates may fluctuate, causing uncertainty and adding to the threat of economic hardship. Congress can designate these users "preferred rate customers" under the Pick-Sloan Plan, lessening the rate fluctuation risks and offering the current Western Area Power Administration (WAPA) preferred rate of approximately $0.011/kWh. As mentioned above, little of the 104 MW of first-lift pumping power allocated to Montana irrigation development has been authorized for use.

Several conservation districts in the lower Yellowstone basin and the Northern Cheyenne Tribe are seeking this preferred rate designation for first-lift pumping power on existing projects. In light of current budgetary restrictions, Congressional approval for the application of this power on existing projects is far more likely than on new developments. If successful, Montana proponents would reap an energy savings of as much as $0.015/kWh. It will be important to work, as much as possible, within the current WAPA rate structure.

Montana now consumes only 6 percent of the hydropower produced at Pick-Sloan dams, though it produces roughly 22 percent of this power. Authorizing the use of Pick-Sloan hydropower on existing irrigation projects would help reconcile the imbalance between the benefits promised and those actually received by Montana under the plan.

5. Resolving Indian Reserved Water Rights

One of the most complex and possibly far-reaching water issues facing Montana is the resolution of tribal claims to reserved water. In many cases, legitimate tribal claims to water threaten to shut down existing water uses. But in some instances, both tribal claims and existing uses may be satisfied by developing or rehabilitating storage projects.

For example, the Tongue River Dam has an inadequate and deteriorated spillway. The dam would likely fail during a large flood and must be operated well below full pool. The dam was jointly evaluated by the Northern Cheyenne Tribe, the Montana DNRC, and BuRec. The preferred solution is to enlarge and upgrade the spillway at an estimated cost of approximately $48 million. This would ensure that the project conforms to dam-safety standards and also allow for higher operating pool levels.

The preferred solution would also provide the downstream flows needed to satisfy the reserved water rights of the Northern Cheyenne Tribe without displacing existing irrigation, municipal, and fish and wildlife uses. Such a resolution must be reached before the water can be used on tribal lands.

Unfortunately, the state lacks the funds for such projects. Obtaining funding assistance under the Pick-Sloan Plan is consistent with the broad purpose of the plan, to maximize beneficial water uses in the basin. Similar projects may arise that would help resolve other tribal or federal claims for reserved water rights.

6. Developing and Improving Recreational, Fish, and Wildlife Resources

Originally considered an incidental benefit of the Pick-Sloan Plan, recreation has boomed in Montana's Missouri basin reservoirs.

Canyon Ferry reservoir, near the headwaters of the Missouri, sports the highest visitor use of any facility in the state, and the popularity of water-related recreation is growing.

Once again, however, Montana is hard pressed to fund new and improved facilities for recreation. A significant portion of the parks and recreation budget of the DFWP subsidizes Canyon Ferry's routine recreational operations, its capital program and its administrative support, while at the same time, other valuable park resources go unprotected, poorly maintained or continue to degrade., to the detriment of most other areas in the state. Even Canyon Ferry's facilities could benefit from additional funding, but cost-sharing funds from BuRec have been exhausted at this site.

Federal funds in the amount of $1 million have been appropriated for a break-water at the Fort Peck Marina to protect the boats and facilities that are there. Because of the general lack of recreational facilities and access at the reservoir, however, the expenditure of the required $1 million state and local match will not provide enough benefits to the area to justify itself. Recommendations for the update of the Fort Peck Lake Management Plan have been submitted by the Recreation Committee from the Fort Peck Interagency Council. Boiled down, these amount to a reiteration of the state's opinion that the Corps, with management responsibility for recreation, should fund efforts to bring Fort Peck's facilities to the level necessary to attract investment in recreation and tourism from within and outside Montana. Key sites are identified for the Corps's attention to provide, "public investment in infrastructure (which) will encourage private investment in full services."

The BuRec receives Congressional authorization and funding for operation and maintenance (O&M) at Canyon Ferry and other federal reservoirs, but recreation is not included in the O&M budget. Pick-Sloan assistance for the management of recreation facilities should be made available for federally owned reservoirs. Further assistance for state-owned reservoirs would help redress the imbalance of benefits received by the upper basin states.

Recreational opportunities in Montana are closely related to the continued ecological integrity of Montana's lakes and streams. Management challenges include the preservation of threatened and endangered species, water quality limitations due to arsenic and mining wastes, critical low flow conditions in drought periods, and others. Indeed, management of the Missouri system has typically included very little consideration of these important ecological values.

Again, Montana suffers acute shortages of resources necessary to address these issues. Significant planning resources will have to be brought to bear on these questions, and federal agencies involved in the management of Missouri River waters should address these resource deficits.

STRATEGIES FOR OBTAINING PICK-SLOAN ASSISTANCE

The core theme running through the water resource issues facing Montana is the state's limited ability to finance needed development and improvements. The Montana Pick-Sloan Initiative addresses this concern by offering four general strategies for pursuing assistance under the Pick-Sloan Plan.

The first strategy is to seek Congressional appropriations of funds for specific projects or groups of projects. The second is to create long-term sources of revenue under the plan that would fund high-priority projects. Third, the state should seek to improve the operation and management of the Missouri River main-stem.

Fourth, cost-sharing arrangements must be executed along with the process of developing local interest. The federal government will require 50 percent state and local matches for federal dollars.

Regardless of how effective these strategies may be, Montana's success in obtaining funding for any one project will depend on sound, thorough planning. Each proposed project must satisfy a number of criteria—the best projects will; help resolve Indian reserved water rights issues, enhance fish, wildlife, and recreation resources, protect the environment, produce more benefits than costs, and provide for other multiple uses.

1. Seek Congressional Authorizations and Appropriations

In 1964, Congress rescinded authorization for the undeveloped projects originally described in the Pick-Sloan Plan and indicated that any further development must be authorized as a new element of the plan. In light of this deauthorization, Congress has recently supported several project proposals for Pick-Sloan assistance. Among them have been proposals to rehabilitate existing irrigation projects, to develop new rural water supply systems, and to supply Pick-Sloan electricity to existing, nonfederal irrigation projects. All are examples of using the existing Pick-Sloan mechanism to support more contemporary water management needs.

Such requests are likely to succeed only if they satisfy congressional interests, and have broad-based grassroots support along with a substantial and coordinated effort from Montana's congressional delegates. Projects are more likely to receive funding if they enhance fish and wildlife resources, protect or improve water quality, and help resolve Indian reserved water right claims. The projects must also be capable of producing greater benefits than costs, provide national benefits, address problems regarding conveyance and on-farm efficiency, and minimize any increases in the power rates paid by the users of Pick-Sloan power. Finally, new requests for Pick-Sloan assistance may be required to obtain local or state matching funds of at least 50 percent of total project costs to complement the federal maximum contribution of 50 percent.

2. Create Long-term Sources of Revenue to Fund Projects

Resolving Montana's many water management problems will require a regular expenditure of funds over the long term. The Pick-Sloan Plan can be used to generate revenue to fund the long-term water management needs of the state.

The State of Wyoming created such a revenue source when it upgraded hydroelectric facilities at the Buffalo Bill Dam. The state provided up-front financing to upgrade the federal power plant. In return, the state is guaranteed 35 equal annual payments from the project's power sales. Wherever the potential for increasing generating capacity is discovered, investment by the state should be evaluated.

Such opportunities do exist in Montana. For example, the extra pen-stock at Ft. Peck could be fitted for an additional generating unit. This could increase both capacity and efficiency. Depending on the financial arrangements for investment, the project could benefit the state and power users alike. The state would benefit through additional funds available for new projects, and power users could benefit by receiving hydroelectric power which is much cheaper than coal or combustion turbine generated electricity. As WAPA seeks to meet contractual obligations during drought and to plan for the re-negotiation of existing contracts

in the year 2000, state/federal shared investment in expanding power supplies falls directly in line with planned power investments.

In other words, state investment plans could coincide with WAPA's, creating a desirable revenue-sharing venture. Operations, maintenance, and rehabilitation (OM&R) on existing hydropower facilities is already anticipated in current investment and repayment plans. To invest in this area (e.g. to upgrade aging structures not scheduled for OM&R) requires close state/federal coordination in cost allocation. The distinction here is between new and existing capacity investment.

Another potential means of developing a stream of revenue to support water management activity in the state centers on the repayment scheme for the ultimate level of irrigation development described in the Pick-Sloan Plan. The basic idea is to transfer the present value of funds targeted for the repayment of irrigation aid to a fund for contemporary water management activities. This idea is rooted in the frustration with the absence of promised irrigation development in the upper basin, and a desire to allocate those funds based on current water management needs. Local representatives could allocate these funds much more equitably and efficiently than is the case under the current Pick-Sloan planning process. However, this part of the strategy is highly controversial and will require further evaluation.

3. Revise the Operation of the Missouri River

Many of the projects constructed under the Pick-Sloan Plan are managed in accordance with the Missouri River Master Water Control Manual, the operating plan administered by the U.S. Army Corps of Engineers. Under the Master Manual, the main-stem dam system is largely operated to favor downstream interests, notably navigation and municipal water supply. This has hampered recreational development, fish and wildlife protection, and other uses of the Missouri River in Montana.

Perhaps the most effective way to redistribute benefits and costs within the basin is to revise the operation of the river system. The state should continue to support the ongoing efforts to review and update the Master Manual. Participants in this review process include the Governor's Office, the Department of Fish, Wildlife and Parks (DFWP), and the Department of Natural Resources and Conservation (DNRC). The Director of DNRC is a member of the Governor's Oversight Committee, which provides direction to the Corps in its review of the Master Manual. DNRC has also helped create Technical Advisory Committees--with representatives from all states in the basin--to advise the Oversight Committee on hydrologic, economic, and environmental issues related to the river's operation. Membership on these committees includes both DNRC and DFWP staff.

The DNRC Director also represents Montana in the Missouri Basin States Association (MBSA), an organization of the 10 basin states and one representative of the basin's Indian tribes. This group provides a forum for discussing water management issues in the basin. Currently the association is working with the Corps to revise the process for developing Annual Operating Plans for the Missouri River. The MBSA is also working closely with the Congressional delegates from each basin state to explore the creation of a new institution for managing the river.

These efforts should continue, with full support from the Montana legislature. The Governor's Oversight Committee, DFWP, DNRC, and the MBSA should continue to monitor the operation and management of the Missouri River, and to make or recommend changes as needed. Only through such diligence can we receive the benefits due and ensure fair

and equitable compensation under the Pick-Sloan Plan in Montana.

4. Developing Cost-Sharing Arrangements

If federal Pick-Sloan funding is to be made available, the state and local users will need to contribute a share of the total package. Unless project beneficiaries can come up with a significant contribution to total project costs, it is unlikely that Montanans can expect much federal investment in the state. Both the Corps and the BuRec have indicated their willingness to help with planning and implementation funds if and when project sponsors come forward with meaningful proposals including the cost-share component. Indeed, a current appropriation of $1,000,000 from the Corps awaits cost-share underwriting for design and construction expenditure for a break-water at Fort Peck Reservoir.

Several state funds, including the Renewable Resource and Water Development Programs, are available to help develop necessary funding levels as well.

IMPLEMENTATION PLAN

The Montana Pick-Sloan Initiative should be implemented through a variety of activities. The following implementation plan outlines specific activities to pursue the strategies presented above.

1. Seek Congressional Authorizations and Appropriations

Given the number of potential water management and development projects that could be pursued in Montana, along with scarce state resources, a process should be developed to prioritize those projects which should be pursued. This process, which is outlined below, is not meant to imply that the sponsors of projects that are not considered the "state's" priorities should not pursue Congressional authorization and funding. It does recognize, however, that such projects are likely to compete for scarce federal and state funds.

The State Water Plan Advisory Council (SWPAC) should coordinate the process of prioritizing potential water projects in Montana. The prioritization process should generally proceed according to the following steps.

A. The DNRC should annually conduct an inventory of potential water management and development projects in Montana. The DNRC should consult with appropriate water user groups, resource management agencies, and the public (via the state water planning scoping meetings) during the process of completing the inventory.

B. Based on the inventory of potential water management and development projects, the DNRC should prepare a draft report each biennium that identifies the state's water management and development priorities. The DNRC should use the criteria presented in the Water Storage section of the state water plan to help prioritize potential projects. The report should identify priorities (1) for planning and analysis; and (2) for seeking Congressional authorization and appropriation.

C. The DNRC should then present the report to the SWPAC which, based on the DNRC's prioritization and input from project sponsors, will recommend final water management and development priorities to the Governor.

D. Once the state's priorities have been defined, the project sponsors will be responsible for preparing a comprehensive, detailed report for Congressional consideration. The project sponsors should utilize all available resources in preparing such a report, including private

contractors and local, state, and federal governments.

2. Create Long-term Sources of Revenue to Fund Projects

A. The SWPAC should create a broad-based committee to explore opportunities to create long-term sources of revenues by upgrading hydroelectric power plants. First priority should be to install new hydropower capacity at Fort Peck.

B. The broad-based committee should include, at a minimum, the Bureau of Reclamation, the Western Area Power Administration, DNRC, DFWP, electric cooperative representatives, tribal representatives, and the U.S. Army Corps of Engineers.

C. When the broad-based committee identifies such an opportunity, it should present its findings to the SWPAC The council should consider the committee's findings in light of the state's other water management and development priorities.

D. If the opportunity identified by the broad-based committee emerges as one of the state's water management and development priorities, the DNRC should coordinate the planning activities required to further pursue the opportunity.

E. The SWPAC should further explore the desirability and feasibility of developing a long-term source of revenue by restructuring the repayment scheme for the Pick-Sloan Missouri Basin Program--perhaps inviting a host of experts in the field to give different views on this component's promise.

3. Revise the Operation of the Missouri River

A. The Governor's Office, DNRC, the DFWP, and other organizations and individuals should continue their efforts to revise the operation of the Missouri River.

4. Pursue Cost-Sharing

A. Resource Conservation and Development Areas (RC&D's) should develop creative funding packages and create broad-based coalitions to help satisfy federal cost-sharing requirements.

B. Conservancy districts, irrigation districts, and water and sewer districts should consider taxing or collecting fees to help satisfy federal cost-sharing requirements.

C. Project sponsors should explore opportunities for requiring all beneficiaries, including recreationists, to pay an appropriate share of the costs associated with the project.

D. Project sponsors should pursue funding through the state's various water and resource development programs.

E. Project sponsors should pursue planning and development funds through such federal agencies as the Corps and BuRec, each of which have programs for this purpose.

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